



POLICY REPORT
DEVELOPMENT AND BUILDING

Report Date: July 13, 2017
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Meeting Date: July 25, 2017

TO: Vancouver City Council
FROM: General Manager of Planning, Urban Design and Sustainability
SUBJECT: Heritage Density Bank Update and Zoning Amendments to Support Heritage Conservation

RECOMMENDATION

- A. THAT the General Manager of Planning, Urban Design and Sustainability be instructed to make application to amend the Zoning and Development By-law No. 3875 generally as outlined in Appendix A to support heritage conservation by amending the C-3A, C-5, C-5A, C-6, RM-5, RM-5A, RM-5B, RM-5C, RM-5D Zoning District Schedules to allow increases to the permitted floor area up to a maximum of 10 percent to be available through amenity shares for heritage conservation.

And that the application be referred to a public hearing.

FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law generally in accordance with Appendix A for consideration at public hearing.

- B. THAT the General Manager of Planning, Urban Design and Sustainability be instructed to make application to amend the Downtown Official Development Plan generally as outlined in Appendix B to support heritage conservation to allow increases to the permitted floor area up to a maximum of 10 percent to be available through amenity shares for heritage conservation.

And that the application be referred to a public hearing.

FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law generally in accordance with Appendix B for consideration at public hearing.

REPORT SUMMARY

This report provides an update on the heritage density bank and recommends that Council approve changes to the Zoning and Development By-law to support heritage conservation. At present there is a very limited amount of heritage density for transfer available for purchase and as a result a number of development permit applications seeking to increase the permitted density on their site by up to 10 percent, as permitted in the Downtown, West End and Central Broadway, are unable to do so. Approval of the recommendations in this report would allow contributions to be made via the purchase of amenity shares to the City's Heritage Conservation Fund for citywide heritage conservation purposes and allow current develop applications to proceed. It is proposed that heritage shares would be available only in the zones which currently permit heritage density transfers noted above. This would assist with the conservation of heritage property, which is an important benefit to the general public and is a citywide amenity that is enjoyed by all citizens and visitors to Vancouver.

The proposed heritage amenity share provisions (and the value as specified in this report) will be limited to development permit applications proposing increases up to 10 percent and will not be applied in rezoning applications which will be subject of Community Amenity Contribution (CAC) negotiations as per Council policy.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Zoning and Development By-law

Section 565A of the *Vancouver Charter* authorizes relaxation of a zoning by-law where Council determines that the proposed development would make a contribution to conserving heritage property. The Zoning and Development By-law includes certain district schedules that permit increases in density when the increase results from a transfer of density from a heritage site that has been conserved. Section 565.1 of the *Vancouver Charter* provides that a zoning by-law may establish different density regulations for a zone, those that are generally applicable and those that apply if certain conditions are met, including conditions related to the conservation of amenities. Several zoning district schedules currently contain provisions for increased density in exchange for the purchase of amenity shares to be used to finance amenities such as parks, community centres, libraries and other amenities.

Transfer of Density Policy

Under current policy the transfer of heritage density can be approved through rezoning by City Council (as a CAC allocation) or in certain zoning districts through a development permit application approved by the Development Permit Board (allows increases up to 10 percent above the permitted floor area).

Density Bonus through Amenity Share

A density bonus approach utilizing amenity share contributions to deliver public amenities was implemented by Council in Marpole (2013) and subsequently expanded to other areas including Norquay, Joyce/Collingwood, and the Mount Pleasant Industrial Area.

Financial Assistance

Section 206(2) of the *Vancouver Charter* provides that Council may provide financial assistance for the conservation of property that is protected heritage property or subject to a

covenant related to the conservation of heritage property. Council utilizes this authority when façade grants to assist with conservation of heritage property are approved.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Planning, Urban Design and Sustainability RECOMMENDS approval of the foregoing.

REPORT

Background/Context

In 1983, Council approved the Transfer of Density Policy as a tool that could be used to achieve a number of public objectives including heritage conservation. Transferable bonus density can be granted as an incentive to conserve, rehabilitate and designate (protect) a heritage building. In exchange for protecting and upgrading an otherwise unprotected building, the tool allows the owner of a heritage building to offset the costs of undertaking heritage rehabilitation work with the creation of an asset with commensurate value, namely bonus floor space also known as heritage density. The policy was amended in 1993 to allow for “banking” of density in a “Heritage Bank” and its transferability to other sites to facilitate heritage conservation. Further revisions to maintain the viability of this public benefit tool have been made by Council in the intervening years.

Most recently, in October 2016, City Council approved changes to rezoning conditions for applications requiring, as part of the offered Community Amenity Contribution, a purchase of heritage density. The change gave purchasers the option to offer a cash payment to the City in order to fulfil the CAC condition of a purchase of heritage density. This was in response to a number of rezoning applications not being able to purchase the density due to a limited amount available for sale (approximately 110,000 square feet) and a limited number of vendors. The cash payments are being collected in a reserve for citywide heritage conservation purposes; a process for allocation of the funds will be reported to Council as part of the Heritage Action Plan later in 2017.

Strategic Analysis

Heritage Density Bank Balance and Available for Sale - Supply

Since the last report to Council, in October 2016, the balance in the heritage bank has been reduced to approximately 560,000 square feet (see table 1 below).

Table 1. Heritage Density Bank Balance Available for Sale

	August 31, 2016	April 30, 2017
Balance	700,000 sq. ft.	560,000 sq. ft.
Heritage projects approved but not completed (not available for sale/transfer)	160,000 sq. ft.	120,000 sq. ft.
Held for own projects (not available for sale/transfer)	430,000 sq. ft.	300,000 sq. ft.
Available for sale	110,000 sq. ft.	140,000 sq. ft.
Pending Sales (Letter A)	↓ 60,000 sq. ft.	↓ 70,000 sq. ft.
Remainder after pending sales satisfied	↓ 50,000 sq. ft.	↓ 70,000 sq. ft. ¹

While the overall balance continues to decline (by approximately 140,000 square feet), the amount available for sale has increased as one heritage conservation project was completed thereby making the density from that project available.

Pending Rezoning and Development Permit Applications - Demand

Based on the documentation submitted to the City (Letters A and B), there is approximately 70,000 square feet of heritage density available for purchase. However, a number of potential purchasers have contacted staff recently to advise they are unable to secure any density as the vendors have indicated the density has been committed to other projects, some of which may not have applications and or Letters A or B submitted. As a result the available supply is not able to meet the demand. For rezoning applications this issue has been addressed by including, in the conditions for Community Amenity Contributions, the ability to provide cash payment in lieu of a transfer of density as part of the offered public benefits. Under current policy (and zoning) this option is not available to sites located in zones (generally in Downtown, West End and Central Broadway), which allow an increase to the permitted floor area up to 10 percent through a development permit (approved by the Development Permit Board).

Therefore, this report recommends amendments to the Zoning and Development By-law to allow for increases up to 10 percent over the permitted floor space ratio to be purchased through heritage amenity shares on a per square metre basis with contributions going to the City's Heritage Conservation Fund. This would apply to the following zoning districts: DD, C-3A, C-5, C-5A, C-6, RM-5, RM-5A, RM-5B, RM-5C, and RM-5D when heritage density is not

¹ Not reflective of actual density available for purchase as vendors have indicated the density has been committed to other projects, some of which may not have applications and or Letters A or B submitted as of the date of this report.

available for purchase. This would align with the mechanism available to rezoning applications making CAC contributions.

Density Value

The “value” or selling price of heritage density is noted in each transaction and is tracked and reviewed by staff. The value has been adjusted based on transactions and most recently on June 1, 2016 when it was increased to \$75/square foot (\$807.29/square metre) following a review that was informed by a letter of opinion from Coriolis Consulting. That letter reaffirmed the need to monitor transactions and adjust prices to reflect the market regularly. Analysis of sales prices for fair market transactions between June 1, 2016, and April 30, 2017, of heritage density has been in the range of \$60-\$150/square foot. As noted in the previous Council report (October 2016), there are a very limited number of vendors, and a limited supply of heritage density available which has created an imbalance in the system. The value/price will be increased from the current rate of \$75/square foot (\$807.29/square metre) to \$85/square foot (\$925.00/square metre) effective September 30, 2017, which reflects the weighted average selling price on transactions dating back to August 2016.

Heritage Conservation Fund

Beginning in November 2016, rezoning applications which were not able to secure heritage density as part of their CAC have had the option of providing a cash payment to the City, which is being set aside in the Heritage Conservation Fund (HCF) to be used for citywide heritage conservation purposes. To date, \$2.3M has been received. Through the Heritage Action Plan a comprehensive review of heritage incentives, including the HCF and allocation of funds, is currently underway and will be reported to Council before the end of 2017.

Implementation

The *Vancouver Charter* gives Council the authority to adopt by-law provisions to support heritage conservation. Amendments to the Zoning and Development By-law are required to enable the option of purchasing heritage amenity shares to the Heritage Conservation Fund to allow for an increase to the permitted floor area up to 10 percent in cases when there is not sufficient heritage density available for purchase. Funds received would be held in reserve and used for heritage conservation purposes. Draft amendments to the Zoning and Development By-law are attached as Appendix A. As well, a draft amendment to the Downtown Official Development Plan is attached as Appendix B.

If the recommendations of this report are approved, the proposed amendments would be referred to Public Hearing for Council’s consideration. The proposed rate would be \$85/square foot (\$925/square metre), which is based on the market transactions over the past year as noted above. The rate will continue to be monitored as per Council policy and will be adjusted as required. The review of heritage incentives, including costs associated with heritage conservation and the support mechanisms to assist with those costs is being completed as part of the Heritage Action Plan. This work will include a review of the heritage amenity share rate and may result in further rate adjustments to cover conservation costs while ensuring contributing projects remain viable.

For rezoning applications, the amenity share rate for the 10 percent increase in permitted floor area available under a development permit, will not be applied in negotiations for Community Amenity Contributions.

Financial Implications

As discussed above, approval of the recommendations in this report would allow contributions to be made via the purchase of amenity shares at \$85/square foot (\$925.00/square metre) to the City's Heritage Conservation Fund for citywide heritage conservation purposes. This will be limited to development permit applications proposing increases up to 10 percent in the zones which currently permit heritage density transfers, but will not be applicable to rezoning applications that are subject to CAC negotiations. Staff will report to Council the on Heritage Action Plan, including heritage incentives and criteria for allocating the Heritage Conservation Fund before the end of 2017.

CONCLUSION

Transfer of heritage density has been an important tool in achieving heritage conservation objectives. Through a number of Council initiatives, particularly actions targeting absorption, the balance in the heritage density bank has been significantly reduced and there is very little density available for purchase at this time. In 2016, Council approved provisions for rezoning applications with a Community Amenity Contribution condition to purchase heritage density to be able to make cash payment if they unable to secure to amount of density at the price stipulated in the rezoning report.

This report recommends Council make available heritage amenity share provisions for development permit applications proposing to increase the allowed floor area up to 10 percent as permitted in some zoning districts schedules (Downtown Official Development Plan, and C-3A, C-5, C-5A and C-6, and RM-5, RM-5A, RM-5B, RM-5C and RM-5D). The funds received would be set aside in the Heritage Conservation Fund. Allocation of funds will be outlined in a report on heritage incentives as part of the Heritage Action Plan to be brought to Council in 2017. This will include a review of the heritage density bank tool and recommendations for the future of the heritage density bank program and how it relates to other heritage incentives.

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Zoning By-law Amending By-law re:
RM-5, RM-5A, RM-5B, RM-5C and RM-5D,
C3-A and C5 Districts Schedules,
Heritage Conservation Amenity Shares
And Schedule G

Draft for Public Hearing

BY-LAW NO. _____

**A By-law to amend the RM-5, RM-5A, RM-5B, RM-5C and RM-5D,
C3-A and C5 District Schedules
Regarding Heritage Conservation Amenity Shares and Schedule G**

1. This By-law amends the indicated provisions of the Zoning and Development By-law No. 3575.
2. After Schedule F, Council adds Schedule G attached hereto as Appendix 1.
3. In the RM-5, RM-5A, RM-5B, RM-5C and RM-5D Districts Schedule, Council:
 - (a) re-numbers subsections 4.7.2 through 4.7.7 as 4.7.5 through 4.7.9;
 - (b) in subsection 4.7.1:
 - (i) at the end of subsection (b), strikes out "and",
 - (ii) at the end of subsection (c) strikes out "." and substitutes "; and", and
 - (iii) after subsection (c), adds:

"(d) despite the provisions of subsections 4.7.1(a), (b) and (c), if the Director of Planning first considers the intent of this district schedule, all applicable Council policies and guidelines and the submissions of any advisory groups, property owners or tenants, and there is no heritage floor area available for transfer, the Director of Planning may permit an additional increase in permitted floor area of one m² for each amenity share provided to the city at no cost to the city, to a maximum increase of 10% above the maximum permitted floor space ratio."
 - (iv) after subsection 4.7.1, adds :
 - "4.7.2 In this district schedule, amenity means conservation of protected heritage property.
 - 4.7.3 For the purposes of this district schedule, the cost of an amenity share is the amount specified per m² in the Heritage Amenity Share Cost Schedule G.
 - 4.7.4 Notwithstanding the provisions of subsection 4.7.1, the maximum floor space ratio achievable as a result of the

provision of amenity shares must otherwise comply in all respects with this district schedule and this by-law.”; and

- (c) In re-numbered subsection 4.7.9, strikes out “4.7.5” and substitutes “4.7.1(d) or 4.7.8”.

4. In the C-3A District Schedule, Council:

- (a) strikes out subsection 4.7.1 and substitutes:

“4.7.1 The floor space ratio shall not exceed 1.00, except that:

- (a) the Development Permit Board may permit an increase in floor space ratio to a maximum of 3.00, if it first considers:

- (i) the intent of this Schedule, all applicable Council policies and guidelines and the relationship of the development with nearby residential areas,
- (ii) the height, bulk, location and overall design of the building and its effect on the site, surrounding buildings and streets, and existing views,
- (iii) the amount of open space, including plazas, and the effects of overall design on the general amenity of the area,
- (iv) the effect of the development on traffic in the area,
- (v) the provision for pedestrian needs, and
- (vi) the design and livability of any dwelling uses;

- (b) despite the provisions of subsection 4.7.1(a), if the Development Permit Board first considers the intent of this district schedule, all applicable Council policies and guidelines and the submissions of any advisory groups, property owners or tenants, and there is no heritage density available for transfer, it may permit an additional increase in permitted floor area of one m² for each amenity share provided to the city at no cost to the city, to a maximum increase of 10% above the maximum permitted floor space ratio.”

- (b) re-numbers subsections 4.7.2 through 4.7.5 as 4.7.5 through 4.7.9;

- (c) after subsection 4.7.1, adds:

“4.7.2 In this district schedule, amenity means conservation of protected heritage property.

4.7.3 For the purposes of this district schedule, the cost of an amenity share is the amount specified per m² in the Heritage Amenity Share Cost Schedule G.

- 4.7.4 Notwithstanding the provisions of subsection 4.7.1, the maximum floor space ratio achievable as a result of the provision of amenity shares must otherwise comply in all respects with this district schedule and this by-law.”; and
- (d) in re-numbered subsection 4.7.9, at the end of the first sentence, strikes out “. ” and adds “,except that this provision shall not apply to a development where there has been an increase in floor space ratio pursuant to section 4.7.1(b).”
5. In the C-5, C-5A and C-6 Districts Schedule, Council:
- (a) strikes out subsection 4.7.1.1 and substitutes:
- “4.7.1.1 The maximum floor space ratio shall not exceed 2.20 in the C-5 and C-5A Districts and 2.6 in the C-6 District, except that:
- (a) for a hotel existing on or before February 4, 2014, the floor space ratio shall not exceed the greater of the floor space ratio existing on September 30, 1986 or the maximum floor space ratio limit set out in this section; and
- (b) if the Development Permit Board first considers the intent of this district schedule, all applicable Council policies and guidelines and the submissions of any advisory groups, property owners or tenants, and there is no heritage density available for transfer, it may permit an additional increase in permitted floor area of one m² for each amenity share provided to the city at no cost to the city, to a maximum increase of 10% above the maximum permitted floor space ratio.”;
- (b) re-numbers subsections 4.7.2 through 4.7.5 as 4.7.5 through 4.7.9;
- (c) after subsection 4.7.1.2, adds:
- “4.7.2 In this district schedule, amenity means conservation of protected heritage property.
- 4.7.3 For the purposes of this district schedule, the cost of an amenity share is the amount specified per m² in the Heritage Amenity Share Cost Schedule G.
- 4.7.4 Notwithstanding the provisions of subsection 4.7.1, the maximum floor space ratio achievable as a result of the provision of amenity shares must otherwise comply in all respects with this district schedule and this by-law.”; and

Appendix 1

Schedule G
Heritage Amenity Share Cost Schedule

Zoning District	Amenity Share Cost
RM-5, RM-5A, RM-5B, RM-5C and RM-5D	\$925 per m ²
C-3A	\$925 per m ²
C-5, C-5A and C-6 (West End Commercial Districts)	\$925 per m ²

Downtown Official Development Plan
Amending by-law re:
Heritage Conservation Amenity Shares

Draft for public hearing

BY-LAW NO. _____

**A By-law to amend Downtown Official
Development Plan By-law No. 4912
Regarding Heritage Conservation Amenity Shares**

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of Downtown Official Development Plan By-law No. 4912.
2. In Section 3, Council:
 - (a) in subsection 14, at the end of the first sentence, strikes out "." and adds "or a development where there has been an increase in floor space ratio by means of amenity shares pursuant to subsection 15."; and
 - (b) after subsection 14, adds:

"15. Despite subsections 1, 4, and 5, if the Development Permit Board first considers the intent of this district schedule, all applicable Council policies and guidelines and the submissions of any advisory groups, property owners or tenants, and there is no heritage floor space available for transfer, the Development Permit Board may permit an additional increase in permitted floor area of one m² for each amenity share provided to the city at no cost to the city, to a maximum increase of 10% above the maximum permitted floor space ratio.

In this by-law, amenity means conservation of protected heritage property and the cost of an amenity share is the amount specified per m² in the Heritage Amenity Share Cost Schedule set out in Table 3.1 below.

**Table 3.1
Heritage Amenity Share Cost Schedule**

Zoning District	Amenity Share Cost
Downtown Official Development Plan (DODP)	\$925 per m ²

